

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF SOUTH KENTUCKY)	
RURAL ELECTRIC COOPERATIVE CORPORATION)	
FOR AN ORDER TO EXECUTE ITS NOTES TO)	
NATIONAL RURAL UTILITIES COOPERATIVE)	CASE NO.
FINANCE CORPORATION IN THE AMOUNT OF)	97-372
\$3,564,000, PURSUANT TO KRS 278.300 AND 807)	
KAR 5:001, SECTION 11 AND RELATED SECTIONS,)	
FOR SAID SUM)	

O R D E R

On August 25, 1997, South Kentucky Rural Electric Cooperative Corporation ("South Kentucky") applied for authority to issue notes in the amount of \$3,564,000 to the National Rural Utilities Cooperative Finance Corporation ("CFC"). South Kentucky intends to use the proceeds of these notes to finance the projects contained in its 1996-1997¹ Work Plan, which the Commission has previously approved. CFC approved a loan in the amount of \$3,564,000 on April 22, 1997

In addition to funding from the CFC, South Kentucky received approval for \$8,315,000 in loans from the Rural Utilities Service ("RUS"), on April 10, 1997.

¹ South Kentucky's 1996-1997 Work Plan was approved at a cost of \$10,508,435 in Case No. 96-109, Application of South Kentucky Rural Electric Cooperative Corporation For a Certificate of Convenience and Necessity To Construct Additional Lines and Facilities, Order dated October 7, 1996. The total loan request to RUS was \$8,315,000 which included construction costs incurred prior to May 1996 in the amount of \$1,370,565. CFC will provide 30 percent of the financing and approved its share of the loan in the amount of \$3,564,000.

The Commission, after consideration of the evidence of record and being advised, finds that:

1. The loan from CFC in the amount of \$3,564,000 is for lawful objects within the corporate purposes of South Kentucky, is necessary and appropriate for and consistent with the proper performance by the utility of its service to the public and will not impair its ability to perform that service, and is reasonable, necessary and appropriate for such purposes.
2. South Kentucky is capable of executing its notes as security for the loan as stated herein.
3. South Kentucky should select the interest rate program which will result in the net lowest cost of money to it over the term of the financing.
4. Within 10 days of its selection of the interest rate program, South Kentucky should notify the Commission in writing of the interest rate program selected and of the reasons for its selection.
5. The proceeds from the proposed loans should be used only for the lawful purposes set out in South Kentucky's application.
6. South Kentucky should include in its monthly financial report to the Commission the current interest rate on its outstanding variable rate loans.
7. As the issuance of securities or evidences of indebtedness subject to the control of a federal governmental agency does not require Commission approval, KRS 278.300(10), and as the RUS is an agency of the federal government, no action on South Kentucky's proposed loan from the RUS is required.

IT IS THEREFORE ORDERED that:

1. South Kentucky is authorized to borrow \$3,564,000 from CFC for a 35-year period and bearing either a fixed or variable rate, as chosen by South Kentucky at the time the first monies are drawn from CFC, subject to the provisions and terms of the application with respect to renegotiation of the interest rate.


2. South Kentucky is authorized to execute its notes as security for the loan authorized herein.

3. South Kentucky shall comply with all matters set out in Findings 3 through 7 as if they were individually so ordered.

Nothing contained herein shall be deemed a warranty or finding of value of securities or financing authorized herein on the part of the Commonwealth of Kentucky or any agency thereof.

Done at Frankfort, Kentucky, this 19th day of September, 1997!.


PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director